

QUEBEC'S ECONOMIC GROWTH TO REMAIN SOFT IN 2007, SAYS RBC

Challenges persist for manufacturing sector

MONTREAL, June 22, 2007— Quebec's economy is expected to grow by 2.1 per cent in 2007 and 2.6 per cent in 2008, according to the latest provincial economic outlook released today by RBC.

"Quebec's economic growth continues to underperform relative to the national average," said Craig Wright, vice-president and chief economist, RBC. "Several factors are weighing on near-term growth and we don't expect a material acceleration in the economy until 2009 when big ticket capital projects pick up speed."

According to the report, Quebec's manufacturing sector will continue to face the downward pressures of a strong Canadian dollar, elevated oil prices and overseas competition. However, in contrast to Ontario, Quebec manufacturers continue to fare better across many key sectors, particularly in the durables sector.

The clothing, textiles, and wood products sectors remain vulnerable to competition from China. "We expect the manufacturing sector to remain weak through the remainder of the year but considerable strength in business investment will provide an offset," added Wright.

On a positive note, central Canada's manufacturing base could gain support in 2008 from a rebound in the U.S economy alongside a pick up in U.S. home construction, a modestly weaker dollar and an anticipated recovery in global air travel and aerospace orders. In addition, \$950 million in tax cuts combined with a pay equity deal will single handedly add at least one-quarter percentage point to near-term growth.

Across Canada, Newfoundland and Labrador will be the provincial growth leader in 2007 at 7.5 per cent before experiencing a dramatic pull back next year, shifting the spotlight back onto the more sustainable growth in Western Canada. Prince Edward Island and Ontario will be at the back of the pack, each with growth rates just shy of two per cent this year.

The RBC Economics *Provincial Outlook* assesses the provinces according to economic growth, employment growth, unemployment rates, personal income growth, retail sales, housing starts and the Consumer Price Index.

According to the report (available online as of 8 a.m. E.D.T., at www.rbc.com/economics/market/pdf/provfcst.pdf), provincial forecast details are as follows:

	Real GDP			Housing starts			Retail sales			Employment			CPI		
	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08
	Thousands														
NFLD.	2.8	7.5	0.5	2.2	2.0	1.8	2.9	5.5	2.0	0.7	1.2	0.1	1.8	2.0	1.4
P.E.I.	2.0	1.9	1.7	0.7	0.6	0.6	4.1	4.5	3.7	0.6	0.8	0.4	2.3	1.5	1.7
N.S.	1.1	2.4	2.3	4.9	4.5	4.4	6.3	3.1	3.3	-0.3	1.1	0.3	2.0	1.4	1.3
N.B.	2.6	2.5	2.6	4.1	3.8	3.7	5.5	3.9	4.0	1.4	0.8	0.4	1.7	1.5	1.4
QUE.	1.7	2.1	2.6	47.9	42.1	39.6	4.5	4.7	4.8	1.3	2.0	0.9	1.7	2.3	1.8
ONT.	1.9	1.9	2.7	73.4	63.9	60.0	4.0	3.5	4.9	1.5	1.3	1.0	1.8	2.1	2.1
MAN.	3.3	3.0	3.2	5.0	5.3	4.4	5.8	6.1	6.0	1.2	1.1	0.9	2.0	2.3	2.5
SASK.	0.4	4.0	3.6	3.7	4.6	3.9	5.9	7.4	6.0	1.7	3.0	1.0	2.1	3.5	2.8
ALTA.	6.8	4.6	4.0	49.0	44.8	39.9	16.0	9.3	8.5	4.8	4.2	2.0	3.9	5.2	3.5
B.C.	3.6	3.2	3.3	36.4	35.3	31.1	6.2	6.0	5.8	3.1	3.0	1.9	1.7	2.2	2.3
CANADA	2.8	2.6	2.9	228	208	190	6.2	5.2	5.2	2.0	2.0	1.2	2.0	2.4	2.2

For more information contact:

Jimmy Jean, RBC Economics, (416) 974-6525

Craig Wright, RBC Economics, (416) 974-7457

Raymond Chouinard, RBC Media Relations, (514) 874-6556

Jimmy Jean sera disponible pour des commentaires en français.